

106TH CONGRESS
2D SESSION

H. R. 4844

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2000

Mr. SHUSTER (for himself, Mr. OBERSTAR, Mr. ARCHER, Mr. RANGEL, Mr. PETRI, Mr. RAHALL, Mr. SHAW, and Mr. MATSUI) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Railroad Retirement and Survivors’ Improvement Act of
6 2000”.

7 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO RAILROAD RETIREMENT ACT OF 1974

Sec. 101. Expansion of widow's and widower's benefits.

Sec. 102. Retirement age restoration.

Sec. 103. Vesting requirement.

Sec. 104. Repeal of railroad retirement maximum.

Sec. 105. Investment of railroad retirement assets.

Sec. 106. Elimination of supplemental annuity account.

Sec. 107. Transfer authority revisions.

Sec. 108. Annual ratio projections and certifications by the Railroad Retirement Board.

TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986

Sec. 201. Amendments to the Internal Revenue Code of 1986.

Sec. 202. Exemption from tax for Railroad Retirement Investment Trust.

Sec. 203. Repeal of supplemental annuity tax.

Sec. 204. Employer, employee representative, and employee tier 2 tax rate adjustments.

1 **TITLE I—AMENDMENTS TO RAIL-** 2 **ROAD RETIREMENT ACT OF** 3 **1974**

4 **SEC. 101. EXPANSION OF WIDOW'S AND WIDOWER'S BENE-** 5 **FITS.**

6 (a) IN GENERAL.—Section 4(g) of the Railroad Re-
7 tirement Act of 1974 is amended by adding at the end
8 the following new subdivision:

9 “(10)(i) If for any month the unreduced annuity pro-
10 vided under this section for a widow or widower is less
11 than the widow's or widower's initial minimum amount
12 computed pursuant to paragraph (ii) of this subdivision,
13 the unreduced annuity shall be increased to that initial
14 minimum amount. For the purposes of this subdivision,
15 the unreduced annuity is the annuity without regard to

1 any deduction on account of work, without regard to any
2 reduction for entitlement to an annuity under section
3 2(a)(1) of this Act, without regard to any reduction for
4 entitlement to a benefit under title II of the Social Secu-
5 rity Act, and without regard to any reduction for entitle-
6 ment to a public service pension pursuant to sections
7 202(e)(7), 202(f)(2), or section 202(g)(4) of the Social Se-
8 curity Act.

9 “(ii) For the purposes of this subdivision, the widow
10 or widower’s initial minimum amount is the amount of the
11 unreduced annuity computed at the time an annuity is
12 awarded to that widow or widower, except that—

13 “(A) in subsection (g)(1)(i) ‘100 per centum’
14 shall be substituted for ‘50 per centum’; and

15 “(B) in subsection (g)(2)(ii) ‘130 per centum’
16 shall be substituted for ‘80 per centum’ both places
17 it appears.

18 “(iii) If a widow or widower who was previously enti-
19 tled to a widow’s or widower’s annuity under section
20 2(d)(1)(ii) of this Act becomes entitled to a widow’s or
21 widow’s annuity under section 2(d)(1)(i) of this Act, a new
22 initial minimum amount shall be computed at the time of
23 award of the widow’s or widower’s annuity under section
24 2(d)(1)(i) of this Act.”.

25 (b) EFFECTIVE DATE.—

1 (1) GENERALLY.—The amendment made by
2 this section shall take effect January 1, 2001 and
3 shall apply to annuity amounts accruing for months
4 after December 2000 in the case of annuities award-
5 ed on or after that date and in the case of annuities
6 awarded before that date if the annuity amount
7 under section 4(g) of the Railroad Retirement Act
8 was computed under section 4(g), as amended by
9 Public Law 97–35.

10 (2) SPECIAL RULE FOR ANNUITIES AWARDED
11 BEFORE JANUARY 1, 2001.—In applying the amend-
12 ments made by this section to annuities awarded be-
13 fore January 1, 2001, the calculation of the initial
14 minimum amount under new section 4(g)(10)(ii) of
15 the Act shall be made as of the date of award of the
16 widow’s or widower’s annuity.

17 **SEC. 102. RETIREMENT AGE RESTORATION.**

18 (a) EMPLOYEE ANNUITIES.—Section 3(a)(2) of the
19 Railroad Retirement Act of 1974 is amended by inserting
20 after “(2)” the following: “For purposes of this sub-
21 section, individuals entitled to an annuity under section
22 2(a)(1)(ii) of this Act shall, except for the purposes of re-
23 computations in accordance with section 215(f) of the So-
24 cial Security Act, be deemed to have attained retirement

1 age (as defined by section 216(l) of the Social Security
2 Act).”.

3 (b) SPOUSE AND SURVIVOR ANNUITIES.—Section
4 4(a)(2) of the Railroad Retirement Act of 1974 is amend-
5 ed by striking “if an” and all that follows through “section
6 2(c)(1) of this Act” and inserting “a spouse entitled to
7 an annuity under section 2(c)(1)(ii)(B) of this Act”.

8 (c) CONFORMING REPEALS.—Sections 3(a)(3),
9 4(a)(3), and 4(a)(4) of the Railroad Retirement Act are
10 repealed.

11 (d) EFFECTIVE DATES.—

12 (1) GENERALLY.—Except as provided in para-
13 graph (2), the amendments made by this section
14 shall apply to annuities that begin to accrue on or
15 after January 1, 2001.

16 (2) EXCEPTION.—The amount of the annuity
17 provided for a spouse under section 4(a) shall be
18 computed under section 4(a)(3), as in effect before
19 the date of the enactment of this section, if the an-
20 nuity amount provided under section 3(a) for the in-
21 dividual on whose employment record the spouse an-
22 nuity is based was computed under section 3(a)(3),
23 as in effect before the date of the enactment of this
24 section.

1 **SEC. 103. VESTING REQUIREMENT.**

2 (a) CERTAIN ANNUITIES FOR INDIVIDUALS.—Section
3 2(a) of the Railroad Retirement Act of 1974 is amended—

4 (1) by inserting in subdivision (1) “or, for pur-
5 poses of paragraphs (i), (iii), and (v), five years of
6 service, all of which accrues after December 31,
7 1995” after “ten years of service”, and

8 (2) by adding at the end the following:

9 “(4) An individual who is entitled to an annuity
10 under paragraph (v) of subdivision (1), but who does not
11 have at least ten years of service, shall, prior to the month
12 in which the individual attains age 62, be entitled only
13 to an annuity amount computed under section 3(a) of this
14 Act (without regard to section 3(a)(2) of this Act) or sec-
15 tion 3(f)(3) of this Act. Upon attainment of age 62, such
16 an individual may also be entitled to an annuity amount
17 computed under section 3(b), but such annuity amount
18 shall be reduced for early retirement in the same manner
19 as if the individual were entitled to an annuity under sec-
20 tion 2(a)(1)(iii).”.

21 (b) COMPUTATION RULE FOR INDIVIDUALS’ ANNU-
22 ITIES.—Section 3(a) of the Railroad Retirement Act of
23 1974, as amended by section 102 of this Act, is further
24 amended by adding at the end the following new subdivi-
25 sion:

1 “(3) If an individual entitled to an annuity under sec-
 2 tion 2(a)(1)(i) or (iii) of this Act on the basis of less than
 3 ten years of service is entitled to a benefit under section
 4 202(a), section 202(b), or section 202(c) of the Social Se-
 5 curity Act which began to accrue before the annuity under
 6 section 2(a)(1)(i) or (iii) of this Act, the annuity amount
 7 provided such individual under this subsection, shall be
 8 computed as though the annuity under this Act began to
 9 accrue on the later of (A) the date on which the benefit
 10 under section 202(a), section 202(b), or section 202(c) of
 11 the Social Security Act began or (B) the date on which
 12 the individual first met the conditions for entitlement to
 13 an age reduced annuity under this Act other than the con-
 14 ditions set forth in sections 2(e)(1) and 2(e)(2) of this Act
 15 and the requirement that an application be filed.”.

16 (c) SURVIVORS’ ANNUITIES.—Section 2(d)(1) of the
 17 Railroad Retirement Act of 1974 is amended by inserting
 18 “or five years of service, all of which accrues after Decem-
 19 ber 31, 1995” after “ten years of service.”.—

20 (d) LIMITATION ON ANNUITY AMOUNTS.—Section 2
 21 of the Railroad Retirement Act of 1974 is amended by
 22 adding at the end the following:

23 “(i) An individual entitled to an annuity under this
 24 section who has completed five years of service, all of
 25 which accrues after 1995, but who has not completed ten

1 years of service, and the spouse, divorced spouse, and sur-
 2 vivors of such individual, shall not be entitled to an annu-
 3 ity amount provided under section 3(a), section 4(a), or
 4 section 4(f) of this Act unless the individual, or the indi-
 5 vidual's spouse, divorced spouse, or survivors, would be en-
 6 titled to a benefit under the Social Security Act on the
 7 basis of the individual's employment record under both the
 8 Railroad Retirement Act and the Social Security Act.”.

9 (e) COMPUTATION RULE FOR SPOUSES' ANNU-
 10 ITIES.—Section 4(a) of the Railroad Retirement Act of
 11 1974, as amended by section 102 of this Act, is further
 12 amended by adding at the end the following new subdivi-
 13 sion:

14 “(3) If a spouse entitled to an annuity under section
 15 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), or section 2(c)(2) of
 16 this Act or a divorced spouse entitled to an annuity under
 17 section 2(c)(4) of this Act on the basis of the employment
 18 record of an employee who will have completed less than
 19 10 years of service is entitled to a benefit under section
 20 202(a), section 202(b), or section 202(c) of the Social Se-
 21 curity Act which began to accrue before the annuity under
 22 section 2(c)(1)(ii)(A), section 2(c)(1)(ii)(C), section
 23 2(c)(2), or section 2(c)(4) of this Act, the annuity amount
 24 provided under this subsection shall be computed as
 25 though the annuity under this Act began to accrue on the

1 later of (A) the date on which the benefit under section
2 202(a), section 202(b), or section 202(c) of the Social Se-
3 curity Act began or (B) the first date on which the annu-
4 itant met the conditions for entitlement to an age reduced
5 annuity under this Act other than the conditions set forth
6 in sections 2(e)(1) and 2(e)(2) of this Act and the require-
7 ment that an application be filed.”.

8 (f) APPLICATION DEEMING PROVISION.—Section
9 5(b) of the Railroad Retirement Act of 1974 is amended
10 by striking the second sentence and inserting the fol-
11 lowing: “An application filed with the Board for an em-
12 ployee annuity, spouse annuity, or divorced spouse annuity
13 on the basis of the employment record of an employee who
14 will have completed less than ten years of service shall be
15 deemed to be an application for any benefit to which such
16 applicant may be entitled under this Act or section 202(a),
17 section 202(b), or section 202(c) of the Social Security
18 Act. An application filed with the Board for an annuity
19 on the basis of the employment record of an employee who
20 will have completed ten years of service shall, unless the
21 applicant specified otherwise, be deemed to be an applica-
22 tion for any benefit to which such applicant may be enti-
23 tled under this Act or title II of the Social Security Act.”.

1 (g) CREDITING SERVICE UNDER THE SOCIAL SECU-
2 RITY ACT.—Section 18(2) of the Railroad Retirement Act
3 of 1974 is amended—

4 (1) by inserting “or less than five years of serv-
5 ice, all of which accrues after December 31, 1995”
6 after “ten years of service” every place it occurs;
7 and

8 (2) by inserting “or five or more years of serv-
9 ice, all of which accrues after December 31, 1995”
10 after “ten or more years of service”.

11 (h) AUTOMATIC BENEFIT ELIGIBILITY ADJUST-
12 MENTS.—Section 19 of Railroad Retirement Act of 1974
13 is amended—

14 (1) by inserting “or five or more years of serv-
15 ice, all of which accrues after December 31, 1995”
16 after “ten years of service” in subsection (c); and

17 (2) by inserting “or five or more years of serv-
18 ice, all of which accrues after December 31, 1995”
19 after “ten years of service” in subsection (d)(2).

20 (i) CONFORMING AMENDMENTS.—

21 (1) Section 6(e)(1) of the Railroad Retirement
22 Act of 1974 is amended by inserting “or five or
23 more years of service, all of which accrues after De-
24 cember 31, 1995” after “ten years of service”.

1 (2) Section 7(b)(2) of the Railroad Retirement
2 Act of 1974 is amended by inserting “or five or
3 more years of service, all of which accrues after De-
4 cember 31, 1995” after “ten years of service”.

5 (3) Section 205(i) of the Social Security Act is
6 amended by inserting “or five or more years of serv-
7 ice, all of which accrues after December 31, 1995”
8 after “ten years of service”.

9 (j) EFFECTIVE DATE.—The amendments made by
10 this section shall take effect January 1, 2001.

11 **SEC. 104. REPEAL OF RAILROAD RETIREMENT MAXIMUM.**

12 (a) EMPLOYEE ANNUITIES.—Section 3(f) of the Rail-
13 road Retirement Act of 1974 is amended by striking para-
14 graph (1).

15 (b) SPOUSE AND SURVIVOR ANNUITIES.—Section 4
16 of the Railroad Retirement Act of 1974 is amended by
17 striking subsection (c).

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall be effective January 1, 2001, and shall
20 apply to annuity amounts accruing for months after De-
21 cember 2000.

22 **SEC. 105. INVESTMENT OF RAILROAD RETIREMENT ASSETS.**

23 (a) ESTABLISHMENT OF RAILROAD RETIREMENT IN-
24 VESTMENT TRUST.—Section 15 of the Railroad Retire-

1 ment Act of 1974 is amended by inserting after subsection
2 (i) the following:

3 “(j) RAILROAD RETIREMENT INVESTMENT TRUST.—

4 “(1) ESTABLISHMENT.—The Railroad Retire-
5 ment Investment Trust (hereinafter in this sub-
6 section referred to as the ‘Trust’) is hereby estab-
7 lished. The Trust shall manage and invest the assets
8 of the Railroad Retirement Trust Fund (hereinafter
9 in this section referred to as the “Fund”, which is
10 hereby established.

11 “(2) NOT A FEDERAL AGENCY OR INSTRUMEN-
12 TALITY.—The Trust is not a department, agency, or
13 instrumentality of the Government of the United
14 States and shall not be subject to title 31, United
15 States Code.

16 “(3) BOARD OF TRUSTEES.—

17 “(A) GENERALLY.—The Trust shall have a
18 Board of Trustees, consisting of 7 members,
19 each appointed by a unanimous vote of the
20 Railroad Retirement Board. Of the 7 members,
21 3 shall represent the interests of labor, 3 shall
22 represent the interests of management, and 1
23 shall represent the interests of the general pub-
24 lic. The members of the Board of Trustees shall

1 not be considered officers or employees of the
2 Government of the United States.

3 “(B) QUALIFICATIONS.—Members of the
4 Board of Trustees shall be appointed only from
5 among persons who have experience and exper-
6 tise in the management of financial investments
7 and pension plans. No member of the Railroad
8 Retirement Board shall be eligible to be a mem-
9 ber of the Board of Trustees.

10 “(C) TERMS.—Except as provided in this
11 subparagraph, each member shall be appointed
12 for a 3-year term. The initial members ap-
13 pointed under this paragraph shall be divided
14 into 3 equal groups so nearly as may be, of
15 which one group will be appointed for a 1-year
16 term, one for a 2-year term, and one for a 3-
17 year term. A vacancy in the Board of Trustees
18 shall not affect the powers of the Board of
19 Trustees and shall be filled in the same manner
20 as the selection of the member whose departure
21 caused the vacancy. Upon the expiration of a
22 term of a member of the Board of Trustees,
23 that member shall continue to serve until a suc-
24 cessor is appointed and qualifies.

1 “(4) POWERS OF THE BOARD OF TRUSTEES.—

2 The Board of Trustees shall—

3 “(A) retain independent advisers to assist
4 it in the formulation and adoption of its invest-
5 ment guidelines;

6 “(B) retain independent investment man-
7 agers to invest the assets of the Fund in a
8 manner consistent with such investment guide-
9 lines;

10 “(C) invest assets in the Fund, pursuant
11 to the policies adopted in subparagraph (A);

12 “(D) pay administrative expenses of the
13 Fund and the Trust from the money in the
14 Fund; and

15 “(E) transfer money to the disbursing
16 agent to pay benefits payable under this Act
17 from money in the Fund and administrative ex-
18 penses related to those benefits.

19 Section 15(j)(5), page 15, lines 4 through 25 through
20 page 16, lines 1 through 2, is amended to read as follows:

21 “(5) REPORTING REQUIREMENTS AND FIDU-
22 CIARY STANDARDS.—The following reporting re-
23 quirements and fiduciary standards shall apply with
24 respect to the Railroad Retirement Trust and the

1 Railroad Retirement Trust Fund (and the assets
2 held in such Trust Fund):

3 “(A) DUTIES OF THE BOARD OF TRUST-
4 EES.—The Railroad Retirement Trust and each
5 member of the Board of Trustees shall dis-
6 charge their duties with respect to the assets of
7 the Fund solely in the interest of the Railroad
8 Retirement Board and through it, the partici-
9 pants and beneficiaries of the programs funded
10 under this Act—

11 “(i) for the exclusive purpose of—

12 “(I) providing benefits to partici-
13 pants and their beneficiaries; and

14 “(II) defraying reasonable ex-
15 penses of administering the functions
16 of the Trust;

17 “(ii) with the care, skill, prudence,
18 and diligence under the circumstances then
19 prevailing that a prudent person acting in
20 a like capacity and familiar with such mat-
21 ters would use in the conduct of an enter-
22 prise of a like character and with like
23 aims;

24 “(iii) by diversifying investments so as
25 to minimize the risk of large losses, unless

1 under the circumstances it is clearly pru-
2 dent not to do so; and

3 “(iv) in accordance with Trust gov-
4 erning documents and instruments insofar
5 as such documents and instruments are
6 consistent with this Act.

7 “(B) PROHIBITIONS WITH RESPECT TO
8 MEMBERS OF THE BOARD OF TRUSTEES.—No
9 member of the Board of Trustees shall—

10 “(i) deal with the assets of the Fund
11 in the trustee’s own interest or for the
12 trustee’s own account;

13 “(ii) in an individual or in any other
14 capacity act in any transaction involving
15 the assets of the Fund on behalf of a party
16 (or represent a party) whose interests are
17 adverse to the interests of the Trust, the
18 Fund, the Railroad Retirement Board, or
19 the interests of participants or bene-
20 ficiaries; or

21 “(iii) receive any consideration for the
22 director’s own personal account from any
23 party dealing with the assets of the Fund.

24 “(C) EXCULPATORY PROVISIONS AND IN-
25 SURANCE.—Any provision in an agreement or

1 instrument that purports to relieve a trustee
2 from responsibility or liability for any responsi-
3 bility, obligation or duty under this Act shall be
4 void: *Provided, however,* That nothing shall
5 preclude—

6 “(i) the Trust from purchasing insur-
7 ance for its trustees or for itself to cover
8 liability or losses occurring by reason of
9 the act or omission of a trustee, if such in-
10 surance permits recourse by the insurer
11 against the trustee in the case of a breach
12 of a fiduciary obligation by such trustee;

13 “(ii) a trustee from purchasing insur-
14 ance to cover liability under this section
15 from and for his own account; or

16 “(iii) an employer or an employee or-
17 ganization from purchasing insurance to
18 cover potential liability of one or more
19 trustees with respect to their fiduciary re-
20 sponsibilities, obligations, and duties under
21 this section.

22 “(D) BONDING.—Every trustee and every
23 person who handles funds or other property of
24 the Fund (hereafter in this subsection referred

1 to as ‘Trust official’) shall be bonded in accord-
2 ance with the following:

3 “(i) The amount of such bond shall be
4 fixed at the beginning of each fiscal year
5 of the Trust by the Railroad Retirement
6 Board. Such amount shall not be less than
7 10 percent of the amount of the funds
8 handled. In no case shall such bond be less
9 than \$1,000 nor more than \$500,000, ex-
10 cept that the Railroad Retirement Board,
11 after consideration of the record, may pre-
12 scribe an amount in excess of \$500,000,
13 subject to the 10 per centum limitation of
14 the preceding sentence.

15 “(ii) It shall be unlawful for any
16 Trust official to receive, handle, disburse,
17 or otherwise exercise custody or control of
18 any of the funds or other property of the
19 Fund without being bonded as required by
20 this subsection and it shall be unlawful for
21 any Trust official, or any other person hav-
22 ing authority to direct the performance of
23 such functions, to permit such functions,
24 or any of them, to be performed by any
25 Trust official, with respect to whom the re-

1 quirements this subsection have not been
2 met.

3 “(iii) It shall be unlawful for any per-
4 son to procure any bond required by this
5 subsection from any surety or other com-
6 pany or through any agent or broker in
7 whose business operations such person has
8 any control or significant financial interest,
9 direct or indirect.

10 “(E) AUDIT AND REPORT.—

11 “(i) The Trust shall annually engage
12 an independent qualified public accountant
13 to audit the financial statements of the
14 Fund.

15 “(ii) The Trust shall submit an an-
16 nual management report to the Congress
17 not later than 180 days after the end of
18 the Trust’s fiscal year. A management re-
19 port under this subsection shall include—

20 “(I) a statement of financial po-
21 sition;

22 “(II) a statement of operations;

23 “(III) a statement of cash flows;

1 “(IV) a statement on internal ac-
2 counting and administrative control
3 systems;

4 “(V) the report resulting from an
5 audit of the financial statements of
6 the Trust conducted under subpara-
7 graph (E)(i); and

8 “(VI) any other comments and
9 information necessary to inform the
10 Congress about the operations and fi-
11 nancial condition of the Trust and the
12 Fund.

13 “(iii) The Trust shall provide the
14 President, the Railroad Retirement Board,
15 and the Director of the Office of Manage-
16 ment and Budget a copy of the manage-
17 ment report when it is submitted to Con-
18 gress.

19 “(6) RULES AND ADMINISTRATIVE POWERS.—
20 The Board of Trustees shall have the authority to
21 make rules to govern its operations, employ profes-
22 sional staff, and contract with outside advisers to
23 provide legal, accounting, investment advisory or
24 other services necessary for the proper administra-
25 tion of this subsection. In the case of contracts with

1 investment advisory services, compensation for such
2 services may be on a fixed contract fee basis or on
3 such other terms and conditions as are customary
4 for such services.

5 “(7) QUORUM.—Five members of the Board of
6 Trustees constitute a quorum to do business. Invest-
7 ment guidelines must be adopted by a unanimous
8 vote of the Board of Trustees. All other decisions of
9 the Board of Trustees shall be decided by a majority
10 vote. All decisions of the Board of Trustees shall be
11 entered upon the records of the Board of Trustees.”.

12 (b) CONFORMING AND TECHNICAL AMENDMENTS
13 GOVERNING INVESTMENTS.—Subsection 15(e) of the
14 Railroad Retirement Act of 1974 is amended—

15 (1) beginning in the first sentence, by striking
16 “, the Dual Benefits Payments Account” and all
17 that follows through “may be made only” in the sec-
18 ond sentence and inserting “and the Dual Benefits
19 Payments Account as are not transferred to the
20 Railroad Retirement Investment Trust as the Board
21 may determine”;

22 (2) by striking “the Second Liberty Bond Act,
23 as amended” and inserting “chapter 31 of title 31”;
24 and

1 (3) by striking “the foregoing requirements”
2 and inserting “the requirements of this subsection”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this section.

6 **SEC. 106. ELIMINATION OF SUPPLEMENTAL ANNUITY AC-**
7 **COUNT.**

8 (a) SOURCE OF PAYMENTS.—Section 7(c)(1) of the
9 Railroad Retirement Act of 1974 is amended by striking
10 “payments of supplemental annuities under section 2(b)
11 of this Act shall be made from the Railroad Retirement
12 Supplemental Account, and”.

13 (b) ELIMINATION OF ACCOUNT.—Section 15(c) of
14 the Railroad Retirement Act of 1974 is repealed.

15 (c) IN GENERAL.—Section 15(a) of the Railroad Re-
16 tirement Act of 1974 is amended by striking “, except
17 those portions of the amounts covered into the Treasury
18 under sections 3211(b),” and all that follows through the
19 end of the subsection and inserting a period.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect January 1, 2001, except that
22 the Railroad Retirement Supplemental Account shall con-
23 tinue to exist until the transfer authorized by the following
24 sentence occurs. As soon as possible after December 31,
25 2000, the Board shall determine the balance in the Rail-

1 road Retirement Supplemental Account and shall direct
2 the Secretary of the Treasury to transfer such amount to
3 the Railroad Retirement Trust Fund and the Secretary
4 shall make such transfer.

5 **SEC. 107. TRANSFER AUTHORITY REVISIONS.**

6 (a) RAILROAD RETIREMENT ACCOUNT.—Section 15
7 of the Railroad Retirement Act of 1974 is amended by
8 adding after subsection (j) the following:

9 “(k) TRANSFERS TO THE FUND.—The Board shall,
10 upon establishment of the Railroad Retirement Trust
11 Fund and from time to time thereafter, direct the Sec-
12 retary of the Treasury to transfer, in such manner as will
13 maximize the investment returns to the Railroad Retire-
14 ment system, that portion of the Railroad Retirement Ac-
15 count that is not needed to pay current administrative ex-
16 penses of the Board to the Railroad Retirement Trust
17 Fund. The Secretary shall make that transfer.

18 (b) RAILROAD RETIREMENT TRUST FUND.—Section
19 15 of the Railroad Retirement Act of 1974, as amended
20 by subsection (a), is further amended by adding after sub-
21 section (k) the following:

22 “(l) RAILROAD RETIREMENT TRUST FUND.—The
23 Railroad Retirement Trust shall from time to time trans-
24 fer to the disbursing agent described in section 7(b)(4)
25 such amounts as may be necessary to pay benefits under

1 this Act (other than benefits paid from the Social Security
2 Equivalent Benefit Account or the Dual Benefit Payments
3 Account) and administrative expenses related to those
4 benefits.”.

5 (c) SOCIAL SECURITY EQUIVALENT BENEFIT AC-
6 COUNT.—

7 (1) TRANSFERS TO FUND.—Upon establishment
8 of the Railroad Retirement Trust Fund and from
9 time to time thereafter, the Board shall direct the
10 Secretary of the Treasury to transfer, in such man-
11 ner as will maximize the investment returns to the
12 Railroad Retirement system, the balance of the So-
13 cial Security Equivalent Benefit Account not needed
14 to pay current benefits required to be paid from that
15 Account to the Railroad Retirement Trust Fund,
16 and the Secretary shall make that transfer. Any bal-
17 ance transferred under this paragraph shall be used
18 by the Railroad Retirement Trust only to pay bene-
19 fits under this Act or to purchase obligations of the
20 United States that are backed by the full faith and
21 credit of the United States pursuant to chapter 31
22 of title 31, United States Code. The proceeds of
23 sales of, and the interest income from, such obliga-
24 tions shall be used by the Trust only to pay benefits
25 under this Act.

1 (2) TRANSFERS TO DISBURSING AGENT.—Sec-
2 tion 15A(c)(1) of the Railroad Retirement Act of
3 1974 is amended by adding at the end the following:
4 “‘The Secretary shall from time to time transfer to
5 the disbursing agent under section 7(b)(4) amounts
6 necessary to pay those benefits.’”.

7 (3) CONFORMING AMENDMENT.—Section
8 15A(d)(1) of the Railroad Retirement Act of 1974
9 is amended by striking the second and third sen-
10 tences.

11 (d) DUAL BENEFITS PAYMENTS ACCOUNT.—Section
12 15(d)(1) of the Railroad Retirement Act 1974 is amended
13 by adding at the end the following: “‘The Secretary of the
14 Treasury shall from time to time transfer from the Dual
15 Benefits Payments Account to the disbursing agent under
16 section 7(b)(4) amounts necessary to pay benefits payable
17 from that Account.

18 (e) CERTIFICATION BY THE BOARD AND PAY-
19 MENT.—Paragraph (4) of section 7(b) of the Railroad Re-
20 tirement Act of 1974 is amended to read as follows:

21 “(4)(A) The Railroad Retirement Board, after con-
22 sultation with the Board of Trustees of the Railroad Re-
23 tirement Trust and the Secretary of the Treasury, shall
24 enter into an arrangement with a nongovernmental finan-
25 cial institution to serve as disbursing agent for benefits

1 payable under this Act who shall disburse consolidated
2 benefits under this Act to each recipient.

3 “(B) The Board shall from time to time certify—

4 “(i) to the Secretary of the Treasury the
5 amounts required to be transferred from the Social
6 Security Equivalent Benefit Account and the the
7 Dual Benefits Payments Account to the disbursing
8 agent to make payments of benefits and the Sec-
9 retary of the Treasury shall transfer those amounts;

10 “(ii) to the Board of Trustees of the Railroad
11 Retirement Investment Trust the amounts required
12 to be transferred from the Railroad Retirement In-
13 vestment Trust to the disbursing agent to make pay-
14 ments of benefits and the Board of Trustees shall
15 transfer those amounts; and

16 “(iii) to the disbursing agent the name and ad-
17 dress of each individual entitled to receive a pay-
18 ment, the amount of such payment, and the time at
19 which the payment should be made.”.

20 (f) BENEFIT PAYMENTS.—Section 7(c)(1) of the
21 Railroad Retirement Act of 1974 is amended—

22 (1) by striking “from the Railroad Retirement
23 Account” and inserting “by the disbursing agent
24 under subsection (b)(4) from money transferred to it
25 from the Railroad Retirement Trust Fund or the So-

1 cial Security Equivalent Benefit Account, as the case
2 may be”; and

3 (2) by inserting “by the disbursing agent under
4 subsection (b)(4) from money transferred to it”
5 after “Public Law 93–445 shall be made”.

6 **SEC. 108. ANNUAL RATIO PROJECTIONS AND CERTIFI-**
7 **CATIONS BY THE RAILROAD RETIREMENT**
8 **BOARD.**

9 (a) PROJECTIONS.—Section 22(a)(1) of the Railroad
10 Retirement Act of 1974 is amended—

11 (1) by adding the following sentence after the
12 first sentence: “On or before May 1 of each year be-
13 ginning in 2002, the Railroad Retirement Board
14 shall compute its projection of the account benefits
15 ratio and the average account benefits ratio (as de-
16 fined by section 3241(c) of the Internal Revenue
17 Code of 1986) for each of the next succeeding five
18 fiscal years.”; and

19 (2) by striking “the projection prepared pursu-
20 ant to the preceding sentence” and inserting “the
21 projections prepared pursuant to the preceding two
22 sentences”.

23 (b) CERTIFICATIONS.—The Railroad Retirement Act
24 of 1974 is amended by adding at the end the following:

1 “Computation and Certification of Account Benefit

2 Ratios

3 “SEC. 23. (a) On or before November 1, 2002, the
4 Railroad Retirement Board shall—

5 “(1) compute the account benefits ratios for
6 each of the most recent 10 preceding fiscal years,
7 and

8 “(2) certify the account benefits ratios for each
9 such fiscal year to the Secretary.

10 “(b) On or before November 1 of each year after
11 2002, the Railroad Retirement Board shall—

12 “(1) compute the account benefits ratio for the
13 fiscal year ending in such year, and

14 “(2) certify the account benefits ratio for such
15 fiscal year to the Secretary.

16 “(c) DEFINITION.—As used in this section, the term
17 ‘account benefit ratio’ has the meaning given that term
18 in section 3241(c) of the Internal Revenue Code of
19 1986.”.

1 **TITLE II—AMENDMENTS TO THE**
 2 **INTERNAL REVENUE CODE**
 3 **OF 1986**

4 **SEC. 201. AMENDMENTS TO THE INTERNAL REVENUE CODE**
 5 **OF 1986.**

6 Except as otherwise provided, whenever in this title
 7 an amendment or repeal is expressed in terms of an
 8 amendment to, or repeal of, a section or other provision,
 9 the reference shall be considered to be made to a section
 10 or other provision of the Internal Revenue Code of 1986.

11 **SEC. 202. EXEMPTION FROM TAX FOR RAILROAD RETIRE-**
 12 **MENT INVESTMENT TRUST.**

13 Subsection (c) of section 501 is amended by adding
 14 at the end the following new paragraph:

15 “(28) The Railroad Retirement Investment
 16 Trust established under section 15(j) of the Railroad
 17 Retirement Act of 1974.”

18 **SEC. 203. REPEAL OF SUPPLEMENTAL ANNUITY TAX.**

19 (a) **REPEAL OF TAX ON EMPLOYEE REPRESENTA-**
 20 **TIVES.**—Section 3211 is amended by striking subsection
 21 (b).

22 (b) **REPEAL OF TAX ON EMPLOYERS.**—Section 3221
 23 is amended by striking subsections (c) and (d).

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to calendar years beginning after
 3 December 31, 2000.

4 **SEC. 204. EMPLOYER, EMPLOYEE REPRESENTATIVE, AND**
 5 **EMPLOYEE TIER 2 TAX RATE ADJUSTMENTS.**

6 (a) RATE OF TAX ON EMPLOYERS.—Subsection (b)
 7 of section 3221 is amended to read as follows:

8 “(b) TIER 2 TAX.—

9 “(1) IN GENERAL.—In addition to other taxes,
 10 there is hereby imposed on every employer an excise
 11 tax, with respect to having individuals in his employ,
 12 equal to the applicable percentage of the compensa-
 13 tion paid during any calendar year by such employer
 14 for services rendered to such employer.

15 “(2) APPLICABLE PERCENTAGE.—For purposes
 16 of paragraph (1), the term ‘applicable percentage’
 17 means—

18 “(A) 15.6 percent in the case of compensa-
 19 tion paid during 2001,

20 “(B) 14.2 percent in the case of compensa-
 21 tion paid during 2002, and

22 “(C) in the case of compensation paid dur-
 23 ing any calendar year after 2002, the percent-
 24 age determined under section 3241 for such cal-
 25 endar year.”.

1 (b) RATE OF TAX ON EMPLOYEE REPRESENTA-
2 TIVES.—Section 3211, as amended by section 203, is
3 amended by striking subsection (a) and inserting the fol-
4 lowing new subsections:

5 “(a) TIER 1 TAX.—In addition to other taxes, there
6 is hereby imposed on the income of each employee rep-
7 resentative a tax equal to the applicable percentage of the
8 compensation received during any calendar year by such
9 employee representative for services rendered by such em-
10 ployee representative. For purposes of the preceding sen-
11 tence, the term ‘applicable percentage’ means the percent-
12 age equal to the sum of the rates of tax in effect under
13 subsections (a) and (b) of section 3101 and subsections
14 (a) and (b) of section 3111 for the calendar year.

15 “(b) TIER 2 TAX.—

16 “(1) IN GENERAL.—In addition to other taxes,
17 there is hereby imposed on the income of each em-
18 ployee representative a tax equal to the applicable
19 percentage of the compensation received during any
20 calendar year by such employee representatives for
21 services rendered by such employee representative.

22 “(2) APPLICABLE PERCENTAGE.—For purposes
23 of paragraph (1), the term ‘applicable percentage’
24 means—

1 “(A) 14.75 percent in the case of com-
2 pensation received during 2001,

3 “(B) 14.20 percent in the case of com-
4 pensation received during 2002, and

5 “(C) in the case of compensation received
6 during any calendar year after 2002, the per-
7 centage determined under section 3241 for such
8 calendar year.

9 “(c) CROSS REFERENCE.—

**“For application of different contribution bases
with respect to the taxes imposed by subsections (a)
and (b), see section 3231(e)(2).”.**

10 (c) RATE OF TAX ON EMPLOYEES.—Subsection (b)
11 of section 3201 is amended to read as follows:

12 “(b) TIER 2 TAX.—

13 “(1) IN GENERAL.—In addition to other taxes,
14 there is hereby imposed on the income of each em-
15 ployee a tax equal to the applicable percentage of
16 the compensation received during any calendar year
17 by such employee for services rendered by such em-
18 ployee.

19 “(2) APPLICABLE PERCENTAGE.—For purposes
20 of paragraph (1), the term ‘applicable percentage’
21 means—

22 “(A) 4.90 percent in the case of compensa-
23 tion received during 2001 or 2002, and

1 “(B) in the case of compensation received
 2 during any calendar year after 2002, the per-
 3 centage determined under section 3241 for such
 4 calendar year.”.

5 (d) DETERMINATION OF RATE.—Chapter 22 is
 6 amended by adding at the end thereof the following new
 7 subchapter:

8 **“Subchapter E—Tier 2 Tax Rate**
 9 **Determination**

“Sec. 3241. Determination of tier 2 tax rate based on average ac-
 count benefits ratio.

10 **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED**
 11 **ON AVERAGE ACCOUNT BENEFITS RATIO.**

12 “(a) IN GENERAL.—For purposes of sections
 13 3201(b), 3211(b), and 3221(b), the applicable percentage
 14 for any calendar year is the percentage determined in ac-
 15 cordance with the table in subsection (b).

16 “(b) TAX RATE SCHEDULE.—

Average account benefits ratio		Applicable per- centage for sec- tions 3211(b) and 3221(b)	Applicable per- centage for section 3201(b)
At least	But less than		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

1 “(c) DEFINITIONS RELATED TO DETERMINATION OF
2 RATES OF TAX.—

3 “(1) AVERAGE ACCOUNT BENEFITS RATIO.—

4 For purposes of this section, the term ‘average ac-
5 count benefits ratio’ means, with respect to any cal-
6 endar year, the average determined by the Secretary
7 of the account benefits ratios for the 10 most recent
8 fiscal years ending before such calendar year. If the
9 amount determined under the preceding sentence is
10 not a multiple of 0.1, such amount shall be in-
11 creased to the next highest multiple of 0.1.

12 “(2) ACCOUNT BENEFITS RATIO.—For pur-
13 poses of this section, the term ‘account benefits
14 ratio’ means, with respect to any fiscal year, the
15 amount determined by the Railroad Retirement
16 Board by dividing the fair market value of the assets
17 in the Railroad Retirement Account and of the Rail-
18 road Retirement Investment Trust as of the close of
19 such fiscal year by the total benefits and administra-
20 tive expenses paid from the Railroad Retirement Ac-
21 count and administrative expenses of the Railroad
22 Retirement Investment Trust during such fiscal
23 year.

24 “(d) NOTICE.—No later than December 1 of each
25 calendar year, the Secretary shall publish a notice in the

1 Federal Register of the rates of tax determined under this
2 section which are applicable for the following calendar
3 year.”.

4 (e) CONFORMING AMENDMENTS.—

5 (1) Section 24(d)(3)(A)(iii) is amended by
6 striking “section 3211(a)(1)” and inserting “section
7 3211(a)”.

8 (2) Section 72(r)(2)(B)(i) is amended by strik-
9 ing “section 3211(a)(2)” and inserting “section
10 3211(b)”.

11 (3) Paragraphs (2)(A)(iii)(II) and (4)(A) of
12 section 3231(e) is amended by striking “3211(a)(1)”
13 and inserting “3211(a)”.

14 (4) Section 3231(e)(2)(B)(ii)(I) is amended by
15 striking “3211(a)(2)” and inserting “3211(b)”.

16 (5) The table of subchapters for chapter 22 is
17 amended by adding at the end the following new
18 item:

“Subchapter E. Tier 2 tax rate determination.”.

19 (f) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to calendar years beginning after
21 December 31, 2000.

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